

(b) *Physical condition of property.* The property must meet local code requirements (or, if no local code exists, the housing quality standards established by HUD for the Section 8 Housing Assistance Payments Program for Existing Housing, under part 882 of this title) and the relevant requirements of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations part 35, subparts A, B, L, and R of this title. When a prospective purchaser with disabilities requests accessible features, the features must be added in accordance with 24 CFR parts 8 and 9. Further, the property must be in good repair, with the major components having a remaining useful life that is sufficient to justify a reasonable expectation that homeownership will be affordable by the purchasers. These standards must be met as a condition for conveyance of a dwelling to an individual purchaser, unless the terms of sale include measures to assure that the work will be completed within a reasonable time after conveyance, not to exceed two years (*e.g.*, as a part of a mortgage financing package that provides the purchaser with a home improvement loan or pursuant to a sound sweat equity arrangement).

[59 FR 56365, Nov. 10, 1994, as amended at 64 FR 50228, Sept. 15, 1999]

EFFECTIVE DATE NOTE: At 64 FR 50228, Sept. 15, 1999, § 906.6 paragraph (b) was amended by revising the first sentence, effective Sept. 15, 2000. For the convenience of the user, the superseded text is set forth as follows:

§ 906.6 Property that may be sold.

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(b) *Physical condition of property.* The property must meet local code requirements (or, if no local code exists, the housing quality standards established by HUD for the Section 8 Housing Assistance Payments Program for Existing Housing, under 24 CFR part 882) and the requirements for elimination of lead-based paint hazards in HUD-associated housing, under subpart C of 24 CFR part 35. * * *

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§ 906.7 Methods of sale and ownership.

(a) *Permissible methods.* Any appropriate method of sale and ownership may be used, such as fee-simple conveyance of single-family dwellings or conversion of multifamily buildings to resident-owned cooperatives or condominiums.

(b) *Direct or indirect sale.* A PHA may sell dwellings to residents directly or (with respect to multifamily buildings or a group of single-family dwellings) through another entity established and governed by, and solely composed of, residents of the PHA's public housing, provided that:

(1) The other entity has the necessary legal capacity and practical capability to carry out its responsibilities under the plan; and

(2) The respective rights and obligations of the PHA and the other entity will be specified by a written agreement that includes:

(i) Assurances that the other entity will comply with all provisions of the HUD-approved homeownership plan;

(ii) Assurances that the PHA's conveyance of the property to the other entity will be subject to a title restriction providing that the property may be resold or otherwise transferred only by conveyance of individual dwellings to eligible residents, in accordance with the HUD-approved homeownership plan, or by reconveyance to the PHA, and that the property will not be encumbered by the other entity without the written consent of the PHA;

(iii) Protection against fraud or misuse of funds or other property on the part of the other entity, its employees, and agents;

(iv) Assurances that the resale proceeds will be used only for the purposes specified by the HUD-approved homeownership plan;

(v) Limitation of the other entity's administrative and overhead costs, and of any compensation or profit that may be realized by the entity, to amounts that are reasonable in relation to its responsibilities and risks;

(vi) Accountability to the PHA and residents for the recordkeeping, reporting and audit requirements of § 906.17;

(vii) Assurances that the other entity will administer its responsibilities under the plan on a nondiscriminatory

basis, in accordance with the Fair Housing Act and implementing regulations; and

(viii) Adequate legal remedies for the PHA and residents, in the event of the other entity's failure to perform in accordance with the agreement.

§ 906.8 Purchaser eligibility and selection.

Standards and procedures for eligibility and selection of the initial purchasers of individual dwellings shall be consistent with the following provisions:

(a) *Applications.* Persons who are interested in purchase must submit applications for that specific purpose, and those applications shall be handled separately from applications for other PHA programs. For vacant units, applications shall be dated as received by the PHA and, subject to eligibility and preference factors, selection shall be made in the order of receipt. Application for homeownership shall not affect an applicant's place on any other PHA waiting list.

(b) *Eligibility threshold.* Subject to any additional eligibility and preference standards that are required or permitted under this section, a homeownership plan may provide for the eligibility of residents of public housing owned or leased by the seller PHA (including Turnkey III homebuyers who may elect to terminate their existing Turnkey III homebuyer agreements in favor of purchase under the Section 5(h) homeownership plan) and residents of other housing who are receiving housing assistance under Section 8 of the Act, under an ACC administered by the seller PHA, provided that the resident has been in lawful occupancy for a minimum period specified in the plan (not less than 30 days prior to conveyance of title to the dwelling to be purchased). For residents of other housing who are receiving housing assistance under Section 8, the minimum occupancy requirement may be satisfied in the unit for which the family is receiving Section 8 assistance or the public housing unit. If the family is to meet part or all of the minimum occupancy requirement in the public housing unit, the Section 8 assistance must be terminated before the family moves into the

public housing unit. Public housing units are ineligible for Section 8 certificate and voucher assistance as long as they remain under ACC as public housing.

(c) *Applicants who do not meet minimum residency requirement for eligibility.*

(1) A homeownership plan, at PHA discretion, may also permit eligibility for applicants who do not meet the minimum residency requirement of paragraph (b) of this section (30 days or more, as prescribed by the homeownership plan) at the time of application, provided that their selection is conditioned upon completion of the minimum residency requirement prior to conveyance of title. (A plan may thus allow satisfaction of the threshold requirements for eligibility by:

(i) Existing public housing or Section 8 residents with less than the minimum period of residency;

(ii) Families who are already on the PHA's waiting lists; and

(iii) Other low-income families who are neither public housing nor Section 8 residents at the time of application or selection.)

(2) Applicants who are not already public housing residents, however, must also satisfy the requirements for admission to such housing.

(d) *Compliance with lease obligations.* Eligibility shall be limited to residents who have been current in all of their lease obligations (in the case of Turnkey III homebuyers, obligations under their Turnkey III homebuyer agreements) over a period of not less than six months prior to conveyance of title (or, if so provided by the homeownership plan, such lesser period as has elapsed since the beginning of public housing or Section 8 tenure), including, but not limited to, payment of rents (or homebuyer's monthly payments) and other charges, and reporting of all income that is pertinent to determination of rental charges (or homebuyer's monthly payments). At the PHA's discretion, the homeownership plan may allow a resident to remedy underreporting of income, provided that proper reporting of income would not have resulted in ineligibility for admission to public housing or for Section 8 assistance, by payment of the resulting underpayment for rent (or homebuyer's